Making the Bank Nizwa and Alizz Merger Work for Oman

A sound deal should preserve what both banks do well and give the enlarged institution the strength to serve Oman's next stage of growth.

By Mahmood Al Hattali | 27 October 2026

Bank Nizwa could negotiate a lower price for Alizz and still need more money to complete the purchase. If the new investor pays less for the Nizwa shares issued to help fund the deal, the cash raised could fall by more than the saving on the purchase price.

That possibility matters beyond the negotiating room. The final price, funding costs and expense of combining the banks will shape how much financial room the enlarged institution has for better services, stronger systems and new business. The financial agreement and the bank's future purpose need to be planned together.

The July proposal envisaged Nizwa acquiring all of Alizz at an indicative 1.2 times book value, an accounting measure of net assets, and incorporating it into Nizwa. Proposed funding included Additional Tier 1 perpetual sukuk, Islamic capital instruments with no fixed maturity date, and new shares subscribed by Ominvest for a potential holding of up to 20%. On 24 September, Nizwa announced permission from the Central Bank of Oman to begin detailed checks. Final terms and further approvals were still required. [1,2,3]

I lean towards the parties reaching an agreement. Oman Arab Bank's acceptance of the non-binding offer and Ominvest's board approval to participate give the proposal substance. Agreement would still be only one stage. The financing must work, the businesses must be brought together carefully, and customers and shareholders must see the benefits. [3]

A larger Islamic bank could give Oman more capacity to finance growth. Whether this combination does so will depend on how those decisions fit together.

The buyer needs careful examination too

The latest earnings make the financial assessment especially important. In its preliminary unaudited results for the nine months to September 2026, Nizwa reported net profit of about OMR7.0 million, compared with OMR14.8 million a year earlier. Net impairment losses, charges for losses or expected losses on assets, rose to OMR13.6 million from OMR6.2 million. [4]

Oman Arab Bank, Alizz's parent, reported a profit contribution from Alizz of OMR9.3 million, up from OMR8.1 million, in its preliminary unaudited results for the same period. Nizwa's net

profit and Alizz's contribution to its parent are different reporting measures. Adding them together would not produce a reliable profit forecast for the combined bank. [5]

For Nizwa, another source of earnings may look attractive during a weaker period. For Ominvest, however, Nizwa's existing business is part of deciding what to pay for its new shares. OAB's shareholders must consider the earnings they would give up by selling Alizz.

A single weaker period does not show that Nizwa lacks adequate capital or will continue earning less. The boards need to understand why the charges for losses have risen and whether they are likely to remain high. They also need a realistic view of what Nizwa could earn on its own.

There is a less obvious point here. An acquisition can look better when measured against a weaker starting position. If Nizwa's own earnings fall, it can become easier for the combination to show an improvement in profit per share, even after issuing new shares. Yet lower retained profits can leave less capital to absorb integration costs and future losses.

An easier comparison does not make the purchase cheaper or simpler to carry out. The merger should be assessed against a realistic plan for Nizwa without it, using consistent assumptions. That comparison should also include what each bank could achieve by investing in its own business.

Look at the purchase price and the funding together

A lower price for Alizz would help the buyer. But if Ominvest also pays less for each new Nizwa share, the bank may raise less money. Both prices belong in the same calculation.

A simple illustration shows why. Using Nizwa's published Q1 2026 share count, an investor with no existing holding would need about 559.2 million new shares to own exactly 20% after the issue, assuming no other share changes. Paying ten baiza less for each new share would reduce the cash raised by about OMR5.59 million. [6]

If the purchase price fell by OMR5 million at the same time, roughly OMR590,000 more would remain to be financed. These are illustrative changes, not announced negotiating terms. The actual shareholding and agreement would determine the result.

"Up to 20%" therefore does not tell us how much cash the investment will bring in. New capital helps fund the purchase; it does not itself create profit. The terms of any additional sukuk also matter because they can affect the earnings available to ordinary shareholders.

Each shareholder group needs its own explanation of value. Existing Nizwa shareholders need a worthwhile return after the new share issue, financing and integration costs. OAB's shareholders need to compare the proceeds and any continuing obligations with the earnings surrendered. Ominvest needs a return that justifies the price it pays for its Nizwa shares.

I would expect substantial discussion around that complete package even if the 1.2-times-book headline stays unchanged. The definition of book value, the date used to measure it and who pays for separating Alizz from its existing group can all change the economics.

Those details will shape what the bank can afford to become. A future strategy built around better products and more capable staff needs resources left after the transaction, as well as a sound business case of its own.

Keep the earnings you are paying for

Alizz represents a substantial part of the proposed combination. Based on the two banks' 2025 accounts, it accounted for about 42% of their combined assets and 53% of their combined gross Musharaka financing, a form of Islamic partnership financing. Those figures show scale. They do not establish which bank has better profitability, credit quality or technology. [7,8]

The future bank should therefore choose practices by how well they work and what they cost. Incorporation into Nizwa does not, by itself, establish which systems, products or ways of serving customers should survive. Useful expertise may sit in either bank.

A problem could arise if the purchase forecast assumes that income from a product will continue, while the integration plan removes the people or services that make it possible. Both teams could report progress while building a bank different from the one that justified the price.

Keeping customers requires the same care. A large institution may have used both banks for different services, to spread its exposure or to retain a choice. Bringing the banks together changes that relationship.

Government-sector balances made up about 49% of the value of Alizz's investment accounts at the end of 2025. That is a sector total, not one customer or evidence that funds will leave. It does make the terms of those relationships important. [7]

The money can stay while the profit it contributes falls. One team might offer a higher return to retain an investment account. Another might reduce financing charges or waive fees for the same institution. Each concession can look reasonable separately, while together they weaken the earnings being purchased.

The board should therefore examine the whole customer relationship. The enlarged bank needs to offer enough useful services for customers to want to stay and do more business on terms that work for both sides.

I would require the executive removing a major expense and the executive responsible for the affected income to agree the same revised forecast. If they disagree, the board should see why before the decision is made.

Some costs will also continue while replacement arrangements are being established. A saving becomes real when the expense ends. Moving accounts or changing reporting lines does not prove that the cost has disappeared. The financial plan needs to fund that interval.

Protect customers while the banks come together

The enlarged bank will inherit promises already made to customers. Preserving those promises is part of preserving the earnings the buyer expects.

Consider a home-finance customer asking to settle early or change an instalment. An account balance alone cannot tell an employee the correct answer. The signed agreement, later changes and previous customer instructions may all matter.

Moving the data means preserving that meaning. The receiving system should connect the right customer, agreement, payment history and security records. Original documents or legally acceptable alternatives must remain accessible. Legal and Sharia specialists need to establish which terms apply and whether a proposed change needs consent or a notice. These are matters to verify for the actual contracts, not assumptions to settle by moving a balance.

The same principle applies to payments. If a payment's completion is uncertain, the bank needs a controlled way to establish its status before sending it again. Customers should experience continuity while teams resolve the transition.

Staff selection should follow the work that must be done. A role may disappear from the eventual organisation while the person's knowledge remains essential during the change. Retaining that person for a defined period should produce a clear result: the receiving team can handle the work correctly without depending on informal calls to former colleagues.

The proposed board should be assessed against the decisions it will face. It needs enough collective financial and operational understanding to challenge a cheaper system that might weaken service, supported by effective Sharia oversight. If a director must step aside because of a conflict, a valid decision still needs to be possible. A shareholding percentage alone does not tell us who should hold which seat or executive role.

The bank being financed must be the same bank the integration teams are building. Its future customer promises should guide which capabilities are preserved, improved or replaced. The same knowledge of customers, contracts and payments should help the bank serve new needs after the transition.

Help Omani businesses grow with their bank

Islamic banking accounted for about one fifth of Oman's banking assets at the end of 2025, according to the Central Bank. Its future matters to the wider economy. A larger bank could support specialist teams and spread the cost of reliable technology and product development

across more customers. Greater financing capacity would still require dependable funding and enough capital to absorb losses. [9]

Oman Vision 2040 calls for stronger links between small businesses and large companies. That gives the enlarged bank a practical ambition to consider. [10]

Imagine an Omani workshop winning an order from a new factory. The factory has its financing in place. The workshop still needs equipment and materials before it can deliver the work and receive payment.

A bank that understands the factory, the supply contract and the workshop's ability to deliver could make a better informed financing decision. It would still need to check the order, the payment arrangements and whether the workshop could complete the job at a profit. A signed contract does not remove those risks.

The next opportunity comes after the first order. Could the bank help the workshop win other customers, expand production and eventually sell abroad? Banks already offer the relevant services. The ambition should be to connect them better, so the customer's history and the bank's understanding remain useful as the business grows.

This is why the integration choices matter. Knowledge of the major project may sit in one team and knowledge of its local suppliers in another. The future bank should make that expertise work together, with appropriate information access and clear responsibility for the customer.

A relationship that starts small can become valuable over many years through financing, payments and trade services. Growth should be measured across the combined business. Moving an existing customer relationship from one of the two banks to the other would not create new business for the enlarged institution.

The bank must also see the shared risks. Financing a factory and many of its suppliers can increase dependence on the same project. Helping suppliers develop other customers would strengthen their businesses and reduce that dependence.

A larger Islamic bank would then offer a useful form of continuity: a good Omani business could grow through successive stages with a bank able to understand and support its next step.

Make Islamic banking easier for families

The same ambition should reach households. A young employee building savings, a couple buying a home and a business owner with uneven monthly income have different needs. A larger bank could invest in products and advice that reflect those differences.

A family or business choosing finance based on Islamic principles should be able to retain that choice as its needs become more complex. Strong Sharia expertise and oversight should support clear agreements and practical services. [11]

Customers should understand the payments due, what could change, who has which responsibilities and what happens if they need to end an agreement early. Clear language should be part of the product from the beginning.

Those promises depend on the records, staff and procedures carried through the merger. Customers should be able to complete routine tasks conveniently and reach a capable person when their situation needs attention. People outside Muscat should see the benefits too.

A combination also reduces the number of separate banks customers can choose between. Where it creates real savings, management should decide how much to use for better services, competitive prices and the bank's future strength. A larger customer base creates an opportunity to improve value; management has to deliver it.

Bring more investment into Oman

The bank's future role could extend to organising finance with other banks and investors. That role requires funding suited to the length and risks of the projects being supported.

A factory may need finance for many years, while customers may need access to their savings much sooner. The bank needs to understand how dependable that funding is, how much it costs and when customers may withdraw it. Suitable investors willing to commit for longer can play a role alongside bank finance.

With the necessary expertise and permissions, the enlarged bank could help Omani businesses reach those investors through appropriate Islamic arrangements. It could assess projects, explain them to investors and organise finance with partners, allowing it to support more than it could responsibly finance alone. Oman's Financial Services Authority has described this connecting role for licensed investment banking activities. [12]

That offers a practical route to a wider regional role: build relationships with investors abroad who want well-assessed opportunities in Oman. The bank's value would come from understanding local businesses and being trusted to assess them carefully.

Developing this ability would also create opportunities for Omani bankers to build skills in project finance, Islamic product design and international business. Those skills would remain valuable well beyond the transaction.

Agree what success will look like

Before final commitment, the boards should agree which findings would require a revised recommendation. Examples include materially higher funding costs, lower sustainable earnings or a longer period of running duplicate arrangements. These boundaries should be set before an inconvenient finding arrives. A new cost should prompt a real decision, rather than another unsupported promise of future savings.

The next decisive evidence would be a binding agreement supported by workable funding and a plan that preserves the business being bought. Completion would then need to be followed by evidence from customer renewals, reliable service and expenses that actually end.

Alongside that discipline, I would ask the boards to describe the bank customers should experience in 2030. What should a growing business be able to do? What should become easier for a family? Which capabilities will the combination provide more effectively than the banks could develop separately?

The board should publish a few measures people can understand: the time taken to decide a complete financing application, the growth and repayment performance of smaller business customers, the speed of resolving problems and the investment brought into Omani businesses. These should sit alongside profit and financial strength.

A bank must earn enough to reward its shareholders and invest in its future. Its customers should be able to see what they gain from that growth.

For me, the outcome would become convincing in the workshop a few years from now. It has fulfilled its early orders, won other customers and become a stronger business. Its bank has understood each stage and supported it responsibly.

The price, funding and integration decisions made now will help determine whether that future is possible. **Bank Nizwa and Alizz should be able to explain how the deal they agree today will produce the bank they want Oman to have tomorrow.**

Mahmood Al Hattali is the founder of Mahmood Insight.

Sources and calculation notes

Public disclosures and historical figures are distinguished from the author's assessments, recommendations and conditional illustrations. Information is assessed as of 27 October 2026.

1. Bank Nizwa issuer disclosure. 16 July 2026. Proposed acquisition, incorporation and financing structure. Issuer text reproduced by Mubasher. View source

2. Bank Nizwa issuer disclosure. 24 September 2026. CBO in-principle approval to initiate comprehensive due diligence; the proposed merger remains subject to regulatory, shareholder and other approvals. Issuer text reproduced by Financial Services Company. View source

3. Ominvest H1 2026 investor presentation. 13 September 2026, page 18. Acceptance of the non-binding offer and proposed strategic participation. View source

4. Bank Nizwa preliminary unaudited results. Nine months ended 30 September 2026. Net profit and net impairment losses; amounts reported in OMR thousands. Subject to board approval. View source

5. Oman Arab Bank preliminary unaudited results. Nine months ended 30 September 2026, page 1. Alizz contribution to parent-company results; subject to board approval. View source

6. Bank Nizwa Q1 2026 financial information. Page 18. Published share count of 2,236,953,032 for the conditional subscription illustration. View source

7. Alizz Islamic Bank Annual Report 2025. Arabic edition, printed pages 108–109, 134–135 and 142–145. Assets, gross Musharaka and investment accounts. View source

8. Bank Nizwa Annual Report 2025. Statement of financial position and note 9. Assets and gross Musharaka financing. View source

9. Central Bank of Oman. Islamic Finance in Sultanate of Oman. The CBO reports Islamic banking assets of approximately OMR9.156 billion and around 20% of banking sector assets at the end of December 2025. View source

10. Oman Vision 2040. Economy and Development pillar. Objectives include a stronger private sector, appropriate financing models and links between small and medium enterprises and larger companies. View source

11. Central Bank of Oman. Legal and Regulatory Framework for Islamic Finance. Current legal and regulatory basis, including Sharia governance. View source

12. Financial Services Authority. Oman regulates investment banking activities, 17 August 2026. The role of licensed firms in connecting companies and projects with local and international investors. View source

Calculation detail

Nine-month results: Nizwa net profit OMR7.045m versus OMR14.822m; net impairment losses OMR13.620m versus OMR6.195m. OAB reported Alizz profit contribution of OMR9.3m versus OMR8.1m. Preliminary unaudited figures, subject to board approval. The reporting measures differ and are not a combined profit forecast.

Subscription illustration: 2,236,953,032 existing shares × 20% / 80% = 559,238,258 new shares. At OMR0.010 less per new share, proceeds fall by OMR5,592,382.58. With consideration OMR5,000,000 lower, the remaining funding need rises by OMR592,382.58. Assumes no prior holding, no other share changes and all other cash uses and funding sources unchanged. This is a funding sensitivity, not a value-loss estimate or an agreed term.

FY2025 proportions: Alizz assets OMR1,465.206m / combined assets OMR3,497.921m = 41.89%; Alizz gross Musharaka OMR751.090m / combined OMR1,420.315m = 52.88%; Alizz government-sector investment accounts OMR546.570m / all investment accounts OMR1,107.681m = 49.34%. Historical comparisons, not a transaction pro forma.